

MOUNT AYR COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2020

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**Mount Ayr Community School District
Board of Education and School District Officials
Year Ended June 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brandi Shay	President	2023
Kim Lutrick	Vice President	2021
Craig Winemiller	Board Member	2023
Rodney Shields	Board Member	2021
Patricia West	Board Member	2023

School District Officials

Joe Drake	Superintendent	2020
Janette Campbell	District Secretary/Treasurer	2020
Ahlers & Cooney	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Mount Ayr Community School District
Mount Ayr, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District, Mount Ayr, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Mount Ayr Community School District as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Mount Ayr Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 5 through 13 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ayr Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of the Mount Ayr Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Ayr Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 11, 2020

**Mount Ayr Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

The Mount Ayr Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$7,956,290 in fiscal 2019 to \$8,350,069 in 2020. General Fund expenditures increased from \$8,016,220 in fiscal 2019 to \$8,210,670 in 2020. The District's General Fund balance increased from \$1,685,886 in fiscal 2019 to \$1,849,044 in 2020.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net position and a Statement of Activities. These provide information about the activities of the Mount Ayr Community School District as a whole and present an overall view of the District's finances.

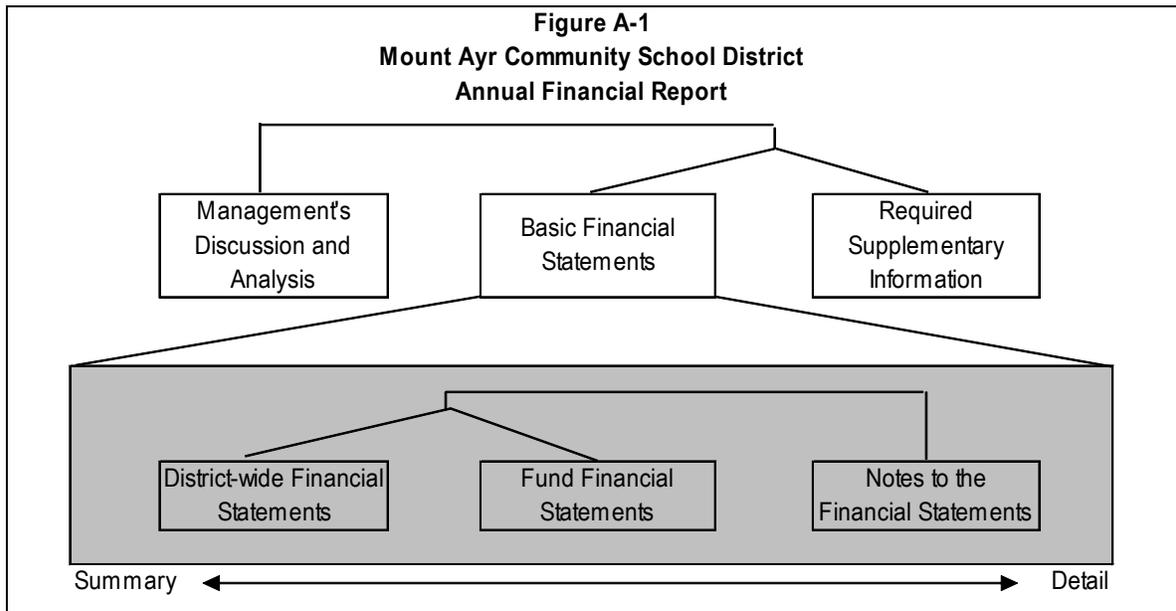
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Ayr Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mount Ayr Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.



**Mount Ayr Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Schoolhouse, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Sites for Learning	Memorial Fund

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Sites for Learning Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

**Mount Ayr Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2020 compared to June 30, 2019.

Figure A-3 Condensed Statement of Net Position							
	Governmental activities		Business type		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current assets	\$ 8,814,207	\$ 8,609,722	214,078	138,327	9,028,285	8,748,049	3.2%
Noncurrent assets	19,348,784	19,028,951	102,223	75,135	19,451,007	19,104,086	1.8%
Total assets	28,162,991	27,638,673	316,301	213,462	28,479,292	27,852,135	2.3%
Deferred outflows of resources	1,114,131	1,562,786	43,913	63,945	1,158,044	1,626,731	-28.8%
Total deferred outflows of resources	1,114,131	1,562,786	43,913	63,945	1,158,044	1,626,731	-28.8%
Current liabilities	2,429,139	2,339,846	172,076	58,107	2,601,215	2,397,953	8.5%
Noncurrent liabilities	8,179,538	9,532,235	153,301	172,313	8,332,839	9,704,548	-14.1%
Total liabilities	10,608,677	11,872,081	325,377	230,420	10,934,054	12,102,501	-9.7%
Deferred inflows of resources	5,582,871	5,128,635	30,956	29,089	5,613,827	5,157,724	8.8%
Total deferred inflows of resources	5,582,871	5,128,635	30,956	29,089	5,613,827	5,157,724	8.8%
Net position:							
Invested in capital assets, net of related debt	13,797,253	12,432,512	102,223	75,135	13,899,476	12,507,647	11.1%
Restricted	1,070,266	1,553,066	-	-	1,070,266	1,553,066	-31.1%
Unrestricted	(1,781,945)	(1,784,835)	(98,342)	(57,237)	(1,880,287)	(1,842,072)	2.1%
Total net position	\$ 13,085,574	\$ 12,200,743	3,881	17,898	13,089,455	12,218,641	7.1%

The District's combined net position increased by nearly 7.1% or approximately \$870,814 over the prior year. The largest portion of the District's net position is invested in capital assets, e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$482,800, or -31.1% over the prior year. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements) increased approximately \$38,215 or 2.1% over the previous year.

**Mount Ayr Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

Figure A-4 shows the change in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,071,576	1,138,021	201,027	212,358	1,272,603	1,350,379	-5.8%
Operating grants, contributions and restricted interest	1,646,670	1,589,289	264,987	281,838	1,911,657	1,871,127	2.2%
General revenues:							
Property tax	4,420,910	4,174,434	-	-	4,420,910	4,174,434	5.9%
Statewide sales, services and use tax	630,105	647,313	-	-	630,105	647,313	-2.7%
Unrestricted states grants	2,748,050	2,726,932	-	-	2,748,050	2,726,932	0.8%
Unrestricted investment earnings	13,015	21,410	-	-	13,015	21,410	-39.2%
Other	288,233	332,067	31,204	-	319,437	332,067	-3.8%
Total revenues	10,818,559	10,629,466	497,218	494,196	11,315,777	11,123,662	1.7%
Program expenses:							
Governmental activities:							
Instruction	6,699,104	6,568,793	-	-	6,699,104	6,568,793	2.0%
Support services	2,740,987	2,534,104	-	-	2,740,987	2,534,104	8.2%
Non-instructional programs	56,385	31,051	511,235	502,561	567,620	533,612	6.4%
Other expenses	427,552	525,745	-	-	427,552	525,745	-18.7%
Total expenses	9,924,028	9,659,693	511,235	502,561	10,435,263	10,162,254	2.7%
Transfers	10,000	34,000	(10,000)	-	-	34,000	0.0%
Change in net position	884,531	935,773	(14,017)	(8,365)	880,514	961,408	-8.4%
Net position beginning of year, as restated	12,200,743	11,264,970	17,898	26,263	12,218,641	11,291,233	8.2%
Net position end of year	\$ 13,085,274	12,200,743	3,881	17,898	13,089,155	12,218,641	7.1%

In fiscal year 2019, property tax and unrestricted state grants account for 66.27% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95.12% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,818,559 and expenses were \$9,924,028.

The cost financed by users of the District's programs was \$1,071,576.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,646,670.

The net cost of governmental activities was financed with \$5,051,015 in property and other taxes and \$2,748,050 in unrestricted state grants.

The following table (Figure A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2020 compared to the year ended June 30, 2019

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2020	2019	2019-2020	2020	2019	2019-2020
Instruction	\$ 6,699,104	6,568,793	2.0%	\$ 4,372,648	4,167,885	4.9%
Support services	2,740,987	2,534,104	8.2%	2,617,772	2,477,870	5.6%
Non-instructional programs	56,385	31,051	81.6%	56,385	31,051	81.6%
Other expenses	427,552	525,745	-18.7%	158,677	255,577	-37.9%
Totals	\$ 9,924,028	9,659,693	2.7%	\$ 7,205,482	6,932,383	3.9%

Business Type Activities

Revenues for business type activities were \$466,014 and expenses were \$521,235. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District increased meal prices in 2019-2020. This increase has resulted in increased revenue to the School Nutrition Fund which the District will utilize in the future to offset the rising costs of food and labor.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Mount Ayr Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,753,522 under last year's ending fund balances of \$2,982,537. The primary reason for the decrease in combined fund balances in fiscal 2020 is due in large to fewer construction projects as compared to the previous year.

Governmental Fund Highlights

The General Fund balance increased from \$1,685,886 in 2018-2019 to \$1,849,044 in 2019-2020. By implementing budget cuts and increasing revenues through property taxes, the district was able to end the 2019-2020 fiscal year with a positive balance.

The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$217,151 in fiscal 2018-2019 to \$ 56,073. The District had previously levied for an additional \$1.34 in the Voter PEEL Fund and is using those funds for repayment of the renovation to the HVAC system. The project was completed but payments will be ongoing until May of 2025. The District purchased a new school bus during the 2019-2020 school year and helped with the cost of a "lighting project" at the Athletic Complex which lowered the fund balance significantly. There was a net change in fund balance of \$-161,078.

The Statewide Sales, Service and Use Tax Fund balance decreased from \$295,333 in fiscal 2018-2019 to \$101,957 in 2019-2020. This decrease is due to the funds being used to complete a "lighting project" at the Athletic Complex. That project is now complete.

Proprietary Fund Highlights

Proprietary Fund net position decreased from \$17,898 at June 30, 2019 to \$3,881 at June 30, 2020. As previously noted, the District increased meal prices in 2019-2020 along with using the procurement method for food purchases in the School Nutrition Fund. Non-operating revenues were down over 2018-2019 by \$16,851.

BUDGETARY HIGHLIGHTS

The District's receipts were \$11,284,792 which was \$281,413 more than budgeted receipts. The most significant variance resulted from the decrease in local sources.

**Mount Ayr Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

Total expenditures were \$219,067 more than budgeted, with the biggest significant variance resulting in the decrease in "other expenditures". It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested \$19,451,007 net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.8% for the year.

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Land	\$ 145,185	145,185	-	-	145,185	145,185	0.0%
Construction in progress	676,386	-	-	-	676,386	-	-
Buildings	15,358,016	15,867,382	-	-	15,358,016	15,867,382	-3.2%
Improvements other than buildings	1,650,380	1,705,198	-	-	1,650,380	1,705,198	-3.2%
Furniture and equipment	1,518,817	1,311,186	102,223	75,135	1,621,040	1,386,321	16.9%
Totals	\$ 19,348,784	19,028,951	102,223	75,135	19,451,007	19,104,086	1.8%

Long-Term Debt

At June 30, 2020, the district had \$9,519,887 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately -12.2% from last year. (See Figure A-7).

**Figure A-7
Outstanding Long-Term Obligations, net premiums and discounts**

	June 30,		Total Change
	2020	2019	
Governmental Activities:			
General obligation bonds	\$ 2,508,248	3,082,576	-18.6%
Revenue bonds	1,502,000	1,678,000	-10.5%
Capital loan notes	1,630,000	1,935,000	-15.8%
Early retirement	123,720	83,514	48.1%
Net pension liability	3,472,293	3,777,688	-8.1%
Net OPEB liability	130,325	114,299	14.0%
Subtotal	9,366,586	10,671,077	-12.2%
Business Type Activities:			
Net pension liability	149,755	162,026	-7.6%
Net OPEB liability	3,546	10,287	-65.5%
Subtotal	153,301	172,313	-11.0%
Totals	\$ 9,519,887	10,843,390	-12.2%

**Mount Ayr Community School District
Management's Discussion and Analysis
Year ended June 30, 2020**

In September of 2009, the District passed School Infrastructure Sales, Services, and Use Tax Revenue Bonds in the amount of \$2,885,000. In March of 2015, The District refinanced their General Obligation Bonds in the amount of \$6,615,000 maturing each year until May 1, 2025. In February of 2016 the District added General Obligation School Capital Loan Notes (PPEL) in the amount of \$2,805,000 maturing each year until May 1, 2015. In March of 2017 the District did an advance refunding of Series 2009/Bank loan and issued Series 2017 - \$1,740,000 – School Infrastructure Sales, Services & Use Tax Revenue Refunding Bonds.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Mount Ayr Community School District serves a population of approximately 5,131, according to the 2010 census, mostly in southern Iowa's Ringgold County. District residents are, in general, employed locally and within the area's agricultural sector, but some residents commute to other employment options throughout neighboring counties. Leading local employers include the county hospital, the school district, and other healthcare-related employers. Economically, the County has been affected by the Coronavirus Pandemic that is affecting the state and the country. Federal stimulus dollars will help with the budget over the coming year. With the unexpected pandemic, unemployment rate has gone up from 2.7% in 2019 to 4.3% in 2020. The national average is somewhat higher at 8.4%.

Enrollment was 576.4 students on the October 2020 headcount which is down 30.63 students from the October 2019 headcount. Management is projecting a slight decline in enrollment over the next several years. The district's solvency ratio is good at 17.89 to end the fiscal year of 2020 – up from 14.5 at the end of 2019.

The District completed a lighting project at the Athletic Complex during the 2019-2020 school year at a cost of \$676,386.00. We were able to fund the project utilizing Capital Projects, Physical Plant, and Voter PPEL Funds. Standard & Poor's Ratings Services assigned its 'A' long-term rating to the Mount Ayr Community School District. With this rating, is the optimism that the district will continue its plan to increase and maintain reserves at strong levels despite potentially decreased enrollment.

The District's valuations increased from \$316,650,731 in the 2019-2020 school year to \$370,133,803 for the 2020-2021 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janette Campbell, District Secretary/Treasurer and Business Manager, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, IA 50854.

Basic Financial Statements

Mount Ayr Community School District
Statement of Net Position
June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 3,467,961	160,158	3,628,119
Receivables:			
Property tax:			
Delinquent	74,548	-	74,548
Succeeding year	4,678,586	-	4,678,586
Acco	326	64	390
Due from other governments	592,786	46,685	639,471
Inventories	-	7,171	7,171
Total current assets	8,814,207	214,078	9,028,285
Noncurrent assets:			
Capital assets:			
Capital assets - nondepreciable	821,571	-	821,571
Capital assets - depreciable, net	18,527,213	102,223	18,629,436
Total capital assets	19,348,784	102,223	19,451,007
Total noncurrent Assets	19,348,784	102,223	19,451,007
Total assets	28,162,991	316,301	28,479,292
Deferred Outflows of Resources			
Deferred charge on refunding	88,717	-	88,717
Pension related deferred outflows	999,335	43,203	1,042,538
OPEB related deferred outflows	26,079	710	26,789
Total deferred outflow of resources	1,114,131	43,913	1,158,044
Liabilities			
Current liabilities:			
Accounts payable	81,061	12,750	93,811
Salaries and benefits payable	777,322	40,142	817,464
Due to other governments	281,244	-	281,244
Advances of Federal grants	69,774	119,184	188,958
Accrued interest payable	32,690	-	32,690
General obligation bonds	584,328	-	584,328
Revenue bonds	169,000	-	169,000
Capital loan notes	310,000	-	310,000
Early retirement	123,720	-	123,720
Total current liabilities	2,429,139	172,076	2,601,215
Noncurrent liabilities:			
General obligation bonds	1,923,920	-	1,923,920
Revenue bonds	1,333,000	-	1,333,000
Capital loan notes	1,320,000	-	1,320,000
Net pension liability	3,472,293	149,755	3,622,048
Net OPEB liability	130,325	3,546	133,871
Total noncurrent liabilities	8,179,538	153,301	8,332,839
Total liabilities	10,608,677	325,377	10,934,054
Deferred Inflows of Resources			
Unavailable property tax revenue	4,678,586	-	4,678,586
Unavailable income surtax revenue	172,698	-	172,698
Pension related deferred inflows	699,847	30,092	729,939
OPEB related deferred inflows	31,740	864	32,604
Total deferred inflows of resources	5,582,871	30,956	5,613,827
Net Position			
Net investment in capital assets	13,797,253	102,223	13,899,476
Restricted for:			
Categorical funding	322,198	-	322,198
Management levy purposes	131,587	-	131,587
Student activities	284,954	-	284,954
Debt service	173,497	-	173,497
Capital projects	101,957	-	101,957
Physical, plant and equipment	56,073	-	56,073
Unrestricted	(1,781,945)	(98,342)	(1,880,287)
Total net position	\$ 13,085,574	3,881	13,089,455

See notes to financial statements.

Mount Ayr Community School District
Statement of Activities
Year ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants, Contributions		Governmental Activities	Business Type Activities	Total
		Charges for Service	and Restricted Interest			
Governmental activities:						
Instruction:						
Regular	\$ 3,778,908	350,234	879,471	(2,549,203)	-	(2,549,203)
Special	1,840,918	365,971	223,087	(1,251,860)	-	(1,251,860)
Other	1,079,278	355,371	152,322	(571,585)	-	(571,585)
	<u>6,699,104</u>	<u>1,071,576</u>	<u>1,254,880</u>	<u>(4,372,648)</u>	<u>-</u>	<u>(4,372,648)</u>
Support Services:						
Studi	0	256,773	-	(256,773)	-	(256,773)
Instructional staff		209,241	-	(209,241)	-	(209,241)
Administration		888,600	-	(888,600)	-	(888,600)
Operating and maintenance of plant		944,655	300	(944,355)	-	(944,355)
Transportation		441,718	-	(318,803)	-	(318,803)
	<u>2,740,987</u>	<u>300</u>	<u>122,915</u>	<u>(2,617,772)</u>	<u>-</u>	<u>(2,617,772)</u>
Non-instructional programs	56,385	-	-	(56,385)	-	(56,385)
Other expenditures:						
Facilities Acquisition	-	-	-	-	-	-
Long-term debt interest	135,347	-	-	(135,347)	-	(135,347)
AEA flowthrough	268,875	-	268,875	-	-	-
Depreciation (unallocated)*	23,330	-	-	(23,330)	-	(23,330)
	<u>427,552</u>	<u>-</u>	<u>268,875</u>	<u>(158,677)</u>	<u>-</u>	<u>(158,677)</u>
Total governmental activities	9,924,028	1,071,876	1,646,670	(7,205,482)	-	(7,205,482)
Business type activities:						
Non-instructional programs:						
Nutrition services	457,527	147,632	264,987	-	(44,908)	(44,908)
Before and after school program	63,708	53,395	-	-	(10,313)	(10,313)
Total business type activities	<u>521,235</u>	<u>201,027</u>	<u>264,987</u>	<u>-</u>	<u>(55,221)</u>	<u>(55,221)</u>
Total primary government	<u>\$ 10,445,263</u>	<u>1,272,903</u>	<u>1,911,657</u>	<u>(7,205,482)</u>	<u>(55,221)</u>	<u>(7,260,703)</u>
Totals from previous pages	<u>\$ 10,445,263</u>	<u>1,272,903</u>	<u>1,911,657</u>	<u>(7,205,482)</u>	<u>(55,221)</u>	<u>(7,260,703)</u>
General revenues:						
Property tax levied for:						
General purposes				3,285,104	-	3,285,104
Debt service				613,662	-	613,662
Capital outlay				522,144	-	522,144
Statewide sales, services and use tax				630,105	-	630,105
Unrestricted state grants				2,748,050	-	2,748,050
Contributions not restricted to specific programs				190,790	-	190,790
Capital contributions				-	31,204	31,204
Unrestricted investment earnings				13,015	-	13,015
Sales of equipment				81	-	81
Other				97,362	-	97,362
Total general revenues				<u>8,100,313</u>	<u>31,204</u>	<u>8,131,517</u>
Change in net position before transfers				894,831	(24,017)	870,814
Transfers						
Transfers				(10,000)	10,000	-
Change in net position				884,831	(14,017)	870,814
Net position beginning of year				12,200,743	17,898	12,218,641
Net position end of year				<u>\$ 13,085,574</u>	<u>3,881</u>	<u>13,089,455</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

Exhibit C

**Mount Ayr Community School District
Balance Sheet
Governmental Funds
June 30, 2020**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 2,635,299	196,265	99,720	536,677	3,467,961
Receivables:					
Property tax:					
Delinquent	50,669	10,922	9,293	3,664	74,548
Succeeding year	3,187,566	622,898	618,123	249,999	4,678,586
Accounts	326	-	-	-	326
Due from other governments	539,769	-	53,017	-	592,786
Total assets	\$ 6,413,629	830,085	780,153	790,340	8,814,207
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	75,981	1,000	4,000	80	81,061
Salaries and benefits payable	777,322	-	-	-	777,322
Due to other governments	281,244	-	-	-	281,244
Advances of Federal Grants	69,774	-	-	-	69,774
Total liabilities	1,204,321	1,000	4,000	80	1,209,401
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	3,187,566	622,898	618,123	249,999	4,678,586
Income surtax	172,698	-	-	-	172,698
Total deferred inflows of resources	3,360,264	622,898	618,123	249,999	4,851,284
Fund balances:					
Restricted for:					
Categorical funding	322,198	-	-	-	322,198
Debt service	-	206,187	-	-	206,187
Management levy purposes	-	-	-	255,307	255,307
Student activities	-	-	-	284,954	284,954
School infrastructure	-	-	101,957	-	101,957
Physical, plant and equipment	-	-	56,073	-	56,073
Unassigned	1,526,846	-	-	-	1,526,846
Total fund balances	1,849,044	206,187	158,030	540,261	2,753,522
Total liabilities, deferred inflows of resources and fund balances	\$ 6,413,629	830,085	780,153	790,340	8,814,207

See notes to financial statements.

Exhibit D

**Mount Ayr Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2020**

Total fund balances of governmental funds (Exhibit C) \$ 2,753,522

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 19,348,784

Deferred bond cost related to the defeasement of 2009 Revenue Refunding bonds 88,717

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in governmental funds, as follows:

Deferred outflows of resources	\$ 1,025,414	
Deferred inflows of resources	(731,587)	293,827

Long-term liabilities, including bonds and notes payable, accrued interest, other postemployment benefits, net pension liability and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds	(2,465,000)	
Premiums on general obligation bonds	(43,248)	
Revenue bonds	(1,502,000)	
Capital loan notes	(1,630,000)	
Accrued interest	(32,690)	
Net pension liability	(3,472,293)	
Net OPEB liability	(130,325)	
Early Retirement	(123,720)	(9,399,276)

Net position of governmental activities (Exhibit A) \$ 13,085,574

See notes to financial statements.

Exhibit E

Mount Ayr Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 3,087,569	613,662	522,144	197,535	4,420,910
Tuition	672,832	-	-	-	672,832
Other	164,811	875	105,799	384,699	656,184
State sources	4,051,859	6,327	635,488	2,180	4,695,854
Federal sources	372,998	-	-	-	372,998
Total	8,350,069	620,864	1,263,431	584,414	10,818,778
Expenditures:					
Current:					
Instruction:					
Regular	2,985,056	-	-	143,370	3,128,426
Special	1,539,835	-	-	289,410	1,829,245
Other	1,017,529	-	-	-	1,017,529
	5,542,420	-	-	432,780	5,975,200
Support services:					
Student	240,640	-	-	-	240,640
Instructional staff	197,493	-	-	-	197,493
Administration	798,596	4,600	1,207	54,905	859,308
Operation and maintenance of plant	778,385	-	30,812	95,417	904,614
Transportation	384,261	-	115,400	23,477	523,138
	2,399,375	4,600	147,419	173,799	2,725,193
Other expenditures:					
Facilities acquisition	-	-	884,378	-	884,378
Long-term debt:					
Principal	-	1,046,000	-	-	1,046,000
Interest and fiscal charges	-	139,029	-	-	139,029
AEA flowthrough	268,875	-	-	-	268,875
	268,875	1,185,029	884,378	-	2,338,282
Total expenditures	8,210,670	1,189,629	1,031,797	606,579	11,038,675
Excess (deficiency) of revenues over (under) expenditures	139,399	(568,765)	231,634	(22,165)	(219,897)
Other financing sources(uses):					
Transfers in	30,000	556,088	676,906	7,123	1,270,117
Transfers out	(7,123)	-	(1,262,994)	(10,000)	(1,280,117)
Proceeds from sale of assets	882	-	-	-	882
Total other financing sources (uses)	23,759	556,088	(586,088)	(2,877)	(9,118)
Change in fund balances	163,158	(12,677)	(354,454)	(25,042)	(229,015)
Fund balances beginning of year	1,685,886	218,864	512,484	565,303	2,982,537
Fund balances end of year	\$ 1,849,044	206,187	158,030	540,261	2,753,522

See notes to financial statements.

**Mount Ayr Community School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds to the Statement of Activities
 Year ended June 30, 2020**

Net change in fund balances - total governmental funds (Exhibit E) \$ (229,015)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,038,390	
Depreciation expense	(717,756)	320,634

In the statement of activities, only the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (801)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Repayments of bond and note principal	1,046,000	
Amortization of premiums and discounts	9,328	
Amortization of deferred refunding charges	<u>(10,420)</u>	1,044,908

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,774

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 430,805

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	(40,206)	
Pension expense	(632,573)	
OPEB expense	<u>(13,695)</u>	(686,474)

Change in net position of governmental activities (Exhibit B) \$ 884,831

See notes to financial statements.

Mount Ayr Community School District
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Non-major Sites for Learning	Total
Assets			
Current assets:			
Cash and investments	\$ 101,710	58,448	160,158
Accounts receivable	64	-	64
Due from other governments	46,685	-	46,685
Inventories	7,171	-	7,171
Total current assets	155,630	58,448	214,078
Non-current assets:			
Property and equipment:			
Machinery and equipment	366,470	-	366,470
Accumulated depreciation	(264,247)	-	(264,247)
Total non-current assets	102,223	-	102,223
Total assets	257,853	58,448	316,301
Deferred Outflows of Resources			
Pension related deferred outflows	31,381	11,822	43,203
OPEB related deferred outflows	355	355	710
Total deferred outflows of resources	31,736	12,177	43,913
Liabilities			
Current liabilities:			
Accounts payable	12,393	357	12,750
Salaries and benefits payable	32,198	7,944	40,142
Advances from Federal Government	119,184	-	119,184
Total current liabilities	163,775	8,301	172,076
Non-current liabilities:			
Net pension liability	109,155	40,600	149,755
Net OPEB liability	1,773	1,773	3,546
Total non-current liabilities	110,928	42,373	153,301
Total liabilities	274,703	50,674	325,377
Deferred Inflows of Resources			
OPEB related deferred inflows	432	432	864
Pension related deferred inflows	21,680	8,412	30,092
Total deferred inflows of resources	22,112	8,844	30,956
Net Position			
Net investment in capital assets	102,223	-	102,223
Unrestricted	(109,449)	11,107	(98,342)
Total net position	\$ (7,226)	11,107	3,881

See accompanying independent auditor's report.

Mount Ayr Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2020

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Non-major Sites for Learning	Total
Operating revenues:			
Local sources:			
Other local sources:			
Food service sales	\$ 143,110	-	143,110
Other operating revenues	4,522	53,395	57,917
Total operating revenues	<u>147,632</u>	<u>53,395</u>	<u>201,027</u>
Operating expenses:			
Instructional programs:			
Instruction:			
Salaries	-	45,217	45,217
Benefits	-	10,101	10,101
Services	-	1,485	1,485
Supplies	-	6,905	6,905
	<u>-</u>	<u>63,708</u>	<u>63,708</u>
Non-instructional programs:			
Food services operations:			
Salaries	148,962	-	148,962
Benefits	31,918	-	31,918
Services	4,745	-	4,745
Supplies	267,786	-	267,786
Depreciation	4,116	-	4,116
	<u>457,527</u>	<u>-</u>	<u>457,527</u>
Total operating expenses	<u>457,527</u>	<u>63,708</u>	<u>521,235</u>
Operating gain (loss)	<u>(309,895)</u>	<u>(10,313)</u>	<u>(320,208)</u>
Non-operating revenues:			
State lunch and breakfast program claims	3,736	-	3,736
National School Lunch Program	120,833	-	120,833
USDA Child Nutrition Program (CARES)	45,705	-	45,705
School Breakfast Program	50,169	-	50,169
Food distribution	44,544	-	44,544
Total non-operating revenues	<u>264,987</u>	<u>-</u>	<u>264,987</u>
Other financing sources (uses):			
Capital contributions	31,204	-	31,204
Transfers in	-	10,000	10,000
	<u>31,204</u>	<u>10,000</u>	<u>41,204</u>
Change in net position	<u>(13,704)</u>	<u>(313)</u>	<u>(14,017)</u>
Net position beginning of year	<u>6,478</u>	<u>11,420</u>	<u>17,898</u>
Net position end of year	<u>\$ (7,226)</u>	<u>11,107</u>	<u>3,881</u>

See accompanying independent auditor's report.

Mount Ayr Community School District
Statement of Cash Flows
Proprietary Funds
June 30, 2020

	Business Type Activities		
	Enterprise Funds		
	School	Non-major Sites for	
	Nutrition	Learning	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 144,276	-	144,276
Cash received from other operating activities	4,522	62,339	66,861
Cash payments to employees for services	(180,581)	(68,525)	(249,106)
Cash payments to suppliers for goods or services	(218,216)	(10,203)	(228,419)
Net cash provided (used) by operating activities	(249,999)	(16,389)	(266,388)
Cash flows from non-capital financing activities:			
State grants received	3,736	-	3,736
Federal grants received	289,206	-	289,206
Transfers in (out)	-	10,000	10,000
Net cash provided by non-capital financing activities	292,942	10,000	302,942
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(31,204)	-	(31,204)
Capital contributions	31,204	-	31,204
Net cash provided (used) by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	42,943	(6,389)	36,554
Cash and cash equivalents at beginning of year	58,767	64,837	123,604
Cash and cash equivalents at end of year	\$ 101,710	58,448	160,158
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating gain (loss)	\$ (309,895)	\$ (10,313)	(320,208)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	44,544	-	44,544
Depreciation	4,116	-	4,116
Decrease (Increase) in accounts receivable	1,166	8,944	10,110
Decrease (increase) in inventories	(2,622)	-	(2,622)
Increase (decrease) in accounts payable	12,393	(7,031)	5,362
Increase (decrease) in salaries and benefits payable	438	(11,015)	(10,577)
Increase(decrease) in net pension liability	(9,449)	(2,822)	(12,271)
Increase(decrease) in OPEB liability	(7,371)	630	(6,741)
Decrease (Increase) in deferred outflows of resources	15,562	4,470	20,032
Increase(decrease) in deferred inflows of resources	1,119	748	1,867
Net cash provided (used) by operating activities	\$ (249,999)	(16,389)	(266,388)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	\$ 101,710	58,448	160,158
Cash and cash equivalents at year end	\$ 101,710	58,448	160,158

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received federal commodities valued at \$44,544.

See accompanying independent auditor's report.

Exhibit J

Mount Ayr Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Custodial</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 4,505
Total assets	<u>4,505</u>
Liabilities	
Accounts payable	\$ -
Total liabilities	<u>400</u>
Net position	
Restricted for special projects	4,105
Total net position	<u>\$ 4,105</u>

See notes to financial statements.

Exhibit K

Mount Ayr Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Custodial</u>
Additions	\$ -
Deductions	<u>400</u>
Change in net position	(400)
Net position	0 <u>4,505</u>
Net position end of year	<u>\$ 4,105</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

The Mount Ayr Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as career and technical and recreational courses. The geographic area served includes the City of Mount Ayr, Iowa, and the predominate agricultural territories in Ringgold and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mount Ayr Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mount Ayr Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ringgold County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District reports the following non-major proprietary funds:

The Enterprise, Sites for Learning Fund is used to account for transactions related to the before and after school program providing recreational activities for elementary age children.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Custodial Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments– The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, contributions from the District after the measurement date but before the end of the District's reporting period and the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Mount Ayr Community School District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consists of income surtax receivable and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures exceeded the amounts budgeted in the instructional, non-instructional programs and other expenditures functional areas.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Mount Ayr Community School District
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The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects Fund - Statewide Sales, Services and Use tax	\$ 30,000
Debt Service	Capital Projects Fund - Physical Plant and Equipment Levy	349,563
Debt Service	Capital Projects Fund - Statewide Sales, Services and Use tax	206,525
Capital Projects Fund - Other Capital Services	Capital Projects Fund - Statewide Sales, Services and Use tax	436,000
Capital Projects Fund - Other Capital Services	Capital Projects Fund - Physical Plant and Equipment Levy	240,906
Student Activity	General	7,123
Proprietary Funds - School Nutrition	Student Activity	10,000
Total		<u>\$ 1,280,117</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

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(4) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 145,185	-	-	145,185
Construction in progress	-	676,386	-	676,386
Total capital assets not being depreciated	145,185	676,386	-	821,571
Capital assets being depreciated:				
Buildings	24,665,626	31,436	-	24,697,062
Improvements other than buildings	2,209,204	31,006	-	2,240,210
Furniture and equipment	4,454,796	299,562	8,007	4,746,351
Total capital assets being depreciated	31,329,626	362,004	8,007	31,683,623
Less accumulated depreciation for:				
Buildings	8,798,244	540,802	-	9,339,046
Improvements other than buildings	504,006	85,824	-	589,830
Furniture and equipment	3,143,610	91,130	7,206	3,227,534
Total accumulated depreciation	12,445,860	717,756	7,206	13,156,410
Total capital assets being depreciated, net	18,883,766	(355,752)	801	18,527,213
Governmental activities capital assets, net	\$ 19,028,951	320,634	801	19,348,784
Business type activities:				
Furniture and equipment	\$ 335,267	31,204	-	366,471
Less accumulated depreciation	260,132	4,116	-	264,248
Business type activities capital assets, net	\$ 75,135	27,088	-	102,223

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 503,789
Special	17,579
Other	31,108

Support services:

Student	7,777
Instructional staff	8,281
Administration	7,777
Operation and maintenance of plant	26,882
Transportation	49,460
Non-instructional programs	41,773
	<u>694,426</u>

Unallocated 23,330

Total depreciation expense - governmental activities \$ 717,756

Business type activities:

Food services \$ 4,116

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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,030,000	-	565,000	2,465,000	575,000
Premiums on general obligation bonds	52,576	-	9,328	43,248	9,328
Subtotal general obligation bonds	3,082,576	-	574,328	2,508,248	584,328
Revenue bonds	1,678,000	-	176,000	1,502,000	169,000
Capital loan notes	1,935,000	-	305,000	1,630,000	310,000
Net pension liability	3,777,688	-	305,395	3,472,293	-
Net OPEB liability	114,299	16,026	-	130,325	-
Early retirement	83,514	123,720	83,514	123,720	123,720
Subtotal, governmental activities	10,671,077	139,746	1,444,237	9,366,586	1,187,048
Business type activities:					
Net pension liability	162,026	-	12,271	149,755	-
Net OPEB liability	10,287	-	6,741	3,546	-
Subtotal, business type activities	172,313	-	19,012	153,301	-
Total	\$ 10,843,390	139,746	1,463,249	9,519,887	1,187,048

General Obligation Bonds

Details of the District's June 30, 2020 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2013				
Year ended June 30,	Rates	Principal	Interest	Total
2021	1.750%	575,000	46,400	621,400
2022	1.750%	585,000	36,338	621,338
2023	2.000%	595,000	26,100	621,100
2024	2.000%	510,000	14,200	524,200
2025	2.000%	200,000	4,000	204,000
Total		\$ 2,465,000	127,038	2,592,038

On May 1, 2013 the District issued \$6,615,000 of general obligation refunding bonds to currently refund bonds issued in fiscal year 2008. The bonds bear interest ranging from 1.750% to 2.000% per annum. During the year ended June 30, 2020, principal and interest paid were \$565,000 and \$54,875, respectively.

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Revenue Bonds

Details of the District's June 30, 2020 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Revenue Refunding Bond Issue of March 1, 2017				
Year ended	Rates	Principal	Interest	Total
June 30,				
2021	4.400%	169,000	35,296	204,296
2022	4.500%	167,000	31,113	198,113
2023	4.625%	160,000	27,041	187,041
2024	4.750%	158,000	23,082	181,082
2025	5.000%	155,000	19,185	174,185
2026	5.000%	148,000	15,413	163,413
2027	5.000%	140,000	11,828	151,828
2028	5.125%	142,000	8,317	150,317
2029	5.125%	133,000	4,893	137,893
2030	5.125%	130,000	1,618	131,618
Total		\$ 1,502,000	177,786	1,679,786

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,740,000 of bonds issued in March 2017. The bonds were issued for the purpose of refunding revenue bonds issued in 2009 to finance a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,679,786. For the current year, \$176,000 of principal and \$39,591 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$630,105.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) None of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2020.

Notes

During the year ended June 30, 2016, the District issued school equipment notes to provide funds for the purchase of equipment. The notes bear interest at 2.303% per annum and are payable from the Capital Projects, Physical Plant and Equipment Levy Fund. Details of the District's note indebtedness at June 30, 2020 are as follows:

Notes Issue of February 1, 2016				
Year ended June 30,	Rates	Principal	Interest	Total
2021	1.750%	310,000	37,539	347,539
2022	1.750%	320,000	30,400	350,400
2023	2.000%	325,000	23,030	348,030
2024	2.000%	335,000	15,545	350,545
2025	2.000%	340,000	7,830	347,830
Total		\$ 1,630,000	114,344	1,744,344

During the year June 30, 2020, the District made note principal and interest payments totaling \$349,563.

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll for a total rate of 15.73%.

The District's contributions to IPERS for the year ended June 30, 2020 were \$448,116.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the District reported a liability of \$3,622,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the District's proportion was 0.062133%, which was a decrease of 0.000143% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$660,077. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,042	130,230
Changes of assumptions	387,974	-
Net difference between projected and actual earnings on IPERS' investments	171,226	579,386
Changes in proportion and differences between District contributions and proportionate share of contributions	25,180	20,323
District contributions subsequent to the measurement date	448,116	-
Total	\$ 1,042,538	729,939

\$448,116 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2021	\$ 82,860
2022	(81,609)
2023	(61,909)
2024	(66,691)
2025	(8,168)
	\$ (135,517)

There are no non-employer contributing entities to IPERS.

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Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$ 6,431,588	3,622,048	1,265,437

Mount Ayr Community School District
Notes to Financial Statements
June 30, 2020

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2020, the District reported no payables to IPERS for legally required District contributions and for legally required employee contributions which had been withheld from employee wages that had not yet been remitted to IPERS as all payments were made prior to June 30, 2020.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits for employees are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

OPEB Benefits – Individuals who are employed by Mount Ayr Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	44
Total	50

Total OPEB Liability – The District's total OPEB liability of \$133,871 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.00% per annum including inflation
Discount rate (effective June 30, 2020)	3.15% compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2020)	6.00% compounded annually

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mount Ayr Community School District
Notes to Financial Statements
June 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	\$ 124,586
Changes for the year:	
Service cost	10,279
Interest cost	4,310
Difference between expected and actual experiences	-
Changes in assumptions	(26,020)
Changes in demographics	31,226
Recognition of Deferred Inflows/Outflows	(2,663)
Benefit payments	(7,847)
Net changes	9,285
Total OPEB liability end of year	\$ 133,871

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (2.15%) or 1.0% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB Liability	\$ 146,605	133,871	122,677

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District as what the District's total liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	\$ 118,649	133,871	152,352

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$6,389. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	26,789	32,604
Net difference between projected and actual investments	-	-
Total	\$ 26,789	\$ 32,604

Mount Ayr Community School District
Notes to Financial Statements
June 30, 2020

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended	
June, 30	
2021	\$ 353
2022	353
2023	353
2024	353
2025	353
Thereafter	4,050
	<u>\$ 5,815</u>

(8) Termination Benefits

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-four by September 1, but not more than sixty-two years of age by June 1 preceding the year of retirement and employees must have completed ten years of service to the District. Employees must complete an application and an attached letter of resignation which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is the difference between the salary schedule base and the employee's placement on the salary schedule using the salary schedule in effect for the last year of employment and subject to a maximum of \$19,475 to \$36,000 per individual depending upon the individual's level of education and service to the District.

Early retirement benefits for classified employees are paid monthly and cease when the retiree reaches the age of 65. Early retirement benefits for certified staff are paid in one payment in September of the year following the year of retirement.

At June 30, 2020, the District has obligations to 6 participants with a total liability of \$123,720. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$83,514.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$268,875 for the year ended June 30, 2020, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Leases

The District leases copy machines under noncancelable operating leases. Total costs for such leases were approximately \$21,120 for the year ended June 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ended	
June, 30	
2021	21,120
2022	21,120
2023	15,840
	<u>\$ 58,080</u>

The District also leased classroom space for 9 months for September 1, 2019 through May 31, 2020 for the Universal Pre-K and Early Childhood Special Education programs for a total cost of \$23,000

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Mount Ayr offered an urban revitalization of tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the District were reduced by the following amounts for the year ending June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Mount Ayr	Urban renewal and economic development projects	\$13,756

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020 this reimbursement amounted to \$2,025.

(13) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Teacher Leadership State Aid	\$ 84,146
Successful Progression for Early Readers	22,793
Professional Development Supplement	59,710
State Replacement for Commercial & Industrial property valuation reduction	63,358
Four Year Preschool Aid	30,330
Iowa/Model Core Curriculum	10,073
Special Ed - Level III	1,049
Military credit	31
Gifted & Talented	50,708
	<u>\$ 322,198</u>

(14) Construction Commitment

The District entered into a contract totaling \$676,386 for the construction of new lighting at the athletic complex. As of June 30, 2020, costs of \$642,646 had been incurred against the contract. The balance of \$33,740 remaining at June 30, 2020 will be paid upon completion of all work on the project.

(15) Accounting Change

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

Required Supplementary Information

Mount Ayr Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 5,749,926	201,027	5,950,953	5,869,066	81,887
Intermediate sources	-	-	-	-	-
State sources	4,695,854	3,736	4,699,590	4,554,813	144,777
Federal sources	372,998	261,251	634,249	579,500	54,749
Total revenues	10,818,778	466,014	11,284,792	11,003,379	281,413
Expenditures:					
Instruction	5,975,200	63,708	6,038,908	5,920,000	(118,908)
Support services	2,725,193	-	2,725,193	3,130,000	404,807
Non-instructional programs	-	459,926	459,926	444,000	(15,926)
Other expenditures	2,338,282	-	2,338,282	1,849,242	(489,040)
Total expenditures/expenses	11,038,675	523,634	11,562,309	11,343,242	(219,067)
Excess (deficiency) of revenues over (under) expenditures/expenses	(219,897)	(57,620)	(277,517)	(339,863)	62,346
Other financing sources, net	(9,118)	41,204	32,086	5,000	27,086
Change in fund balance	(229,015)	(16,416)	(245,431)	(334,863)	89,432
Balances beginning of year	2,982,537	17,898	2,876,401	2,151,428	724,973
Balances end of year	\$ 2,753,522	1,482	2,630,970	1,816,565	814,405

See accompanying independent auditor's report.

Mount Ayr Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2020, expenditures in the instructional, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

**Mount Ayr Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For The Last Six Years* (In Thousands)
Required Supplementary Information**

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.062133%	0.062276%	0.062601%	0.061629%	0.061346%	0.062290%
District's proportionate share of the net pension liability	\$ 3,622	\$ 3,940	4,133	3,843	3,050	2,521
District's covered-employee payroll	4,760	4,679	4,631	4,383	4,229	4,191
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.09%	84.21%	89.25%	87.68%	72.12%	60.15%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*In accordance with GASB Statement No.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

Mount Ayr Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 448	449	418	414	391	378	373	353	345	298
Contributions in relation to the statutorily required contribution	(448)	(449)	(418)	(414)	(391)	(378)	(373)	(353)	(345)	(298)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,712	4,760	4,679	4,631	4,383	4,229	4,191	4,218	4,281	4,284
Contributions as a percentage of covered-employee payroll	9.51%	9.43%	8.93%	8.94%	8.92%	8.94%	8.90%	8.37%	8.06%	6.96%

See accompanying independent auditor's report.

Mount Ayr Community School District
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2020

Changes of benefit terms:

There are no significant changes to benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**Mount Ayr Community School District
Schedule of Changes in the District's
Total OPEB Liability, Related Ratios and Notes
For the Last Three Years
Required Supplementary Information**

	2020	2019	2018
Service cost	\$ 10,279	\$ 10,025	10,025
Interest cost	4,310	4,676	4,479
Difference between expected and actual experiences	-	-	-
Changes in assumptions	(26,020)	-	-
Changes in demographics	31,226	-	-
Recognition of deferred inflows/outflows	(2,663)	(4,061)	(5,450)
Benefit payments	(7,847)	(3,063)	(4,244)
Net change in total OPEB liability	9,285	7,577	4,810
Total OPEB liability beginning of year	124,586	117,009	112,199
Total OPEB liability end of year	<u>\$ 133,871</u>	<u>\$ 124,586</u>	<u>117,009</u>
Covered-employee payroll	<u>\$ 4,071,630</u>	<u>\$ 4,010,020</u>	<u>4,064,967</u>
Total OPEB liability as a percentage of covered-employee payroll	3.29%	3.11%	2.88%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

An assumption change was made of the assumed retirement rate by attained to better reflect that used by IPERS resulting in a reduction of the OPEB Liability.

Changes in demographics:

A demographic change was made based upon current employee demographics.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

**Mount Ayr Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020**

	Special Revenue		
	Management	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 251,643	285,034	536,677
Receivables:			
Property tax:			
Delinquent	3,664	-	3,664
Succeeding year	249,999	-	249,999
Total assets	\$ 505,306	285,034	790,340
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	80	80
Total liabilities	-	80	80
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	249,999	-	249,999
Total deferred inflows of resources	249,999	-	249,999
Fund balances:			
Restricted for:			
Management levy purposes	255,307	-	255,307
Student activities	-	284,954	284,954
Total fund balances	255,307	284,954	540,261
Total liabilities, deferred inflows of resources and fund balances	\$ 505,306	285,034	790,340

See accompanying independent auditor's report.

Schedule 2

Mount Ayr Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2020

	Special Revenue		
	Management	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 197,535	-	197,535
Other	41,073	343,626	384,699
State sources	2,180	-	2,180
Total revenues	<u>240,788</u>	<u>343,626</u>	<u>584,414</u>
Expenditures:			
Current:			
Instruction:			
Regular	143,370	-	143,370
Other	-	289,410	289,410
Support Services:			
Administration	54,905	-	54,905
Operation and maintenance of plant	95,417	-	95,417
Student transportation	23,477	-	23,477
Total expenditures	<u>317,169</u>	<u>289,410</u>	<u>606,579</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,381)</u>	<u>54,216</u>	<u>(22,165)</u>
Other financing sources (uses):			
Transfers out	-	(10,000)	(10,000)
Transfers in	-	7,123	7,123
Total other financing sources(uses)	<u>-</u>	<u>(2,877)</u>	<u>(2,877)</u>
Change in fund balances	(76,381)	51,339	(25,042)
Fund balances beginning of year	<u>331,688</u>	<u>233,615</u>	<u>565,303</u>
Fund balances end of year	<u>\$ 255,307</u>	<u>284,954</u>	<u>540,261</u>

See accompanying independent auditor's report.

Mount Ayr Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2020

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 48,940	46,780	4,000	99,720
Receivables:				
Property tax:				
Current year delinquent	-	9,293	-	9,293
Succeeding year	-	618,123	-	618,123
Due from other governments	53,017	-	-	53,017
Total assets	\$ 101,957	674,196	4,000	780,153
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	-	4,000	4,000
Total liabilities	-	-	4,000	4,000
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	618,123	-	618,123
Total deferred inflows of resources	-	618,123	-	618,123
Fund balances:				
Restricted for:				
School infrastructure	101,957	-	-	101,957
Physical, plant and equipment	-	56,073	-	56,073
Total fund balances	101,957	56,073	-	158,030
Total liabilities, deferred inflows or resources and fund balances	\$ 101,957	674,196	4,000	780,153

See accompanying independent auditor's report.

Schedule 4

Mount Ayr Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund Accounts
Year ended June 30, 2020

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	
Revenues:				
Local sources:				
Local tax	\$ -	522,144	-	522,144
Other	105,799	-	-	105,799
State sources	630,105	5,383	-	635,488
Total revenues	<u>735,904</u>	<u>527,527</u>	<u>-</u>	<u>1,263,431</u>
Expenditures:				
Current:				
Support Services:				
Administration	1,207	-	-	1,207
Operation and maintenance of plant	30,812	-	-	30,812
Transportation	17,900	97,500	-	115,400
	<u>49,919</u>	<u>97,500</u>	<u>-</u>	<u>147,419</u>
Other expenditures:				
Facilities acquisition	206,836	636	676,906	884,378
Total expenditures	<u>256,755</u>	<u>98,136</u>	<u>676,906</u>	<u>1,031,797</u>
Excess (deficiency) of revenues over (under) expenditures	479,149	429,391	(676,906)	231,634
Other financing sources (uses):				
Operating transfers out	(672,525)	(590,469)	-	(1,262,994)
Operating transfers in	-	-	676,906	676,906
Proceeds from sale of assets	-	-	-	-
Total other financing sources(uses)	<u>(672,525)</u>	<u>(590,469)</u>	<u>676,906</u>	<u>(586,088)</u>
Change in fund balances	(193,376)	(161,078)	-	(354,454)
Fund balances beginning of year	295,333	217,151	-	512,484
Fund balances end of year	<u>\$ 101,957</u>	<u>56,073</u>	<u>-</u>	<u>158,030</u>

See accompanying independent auditor's report.

Mount Ayr Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures and Interfund Transfers	Balance End of Year
Athletics:				
Football	\$ 3,383	23,831	12,909	14,305
Volleyball	6,279	3,882	3,841	6,320
Wrestling	8,518	6,616	5,876	9,258
Boys' basketball	(379)	5,145	5,325	(559)
Girls' basketball	5,192	2,496	3,489	4,199
Boys' track	9,423	7,116	6,979	9,560
Girls' track	2,031	674	762	1,943
Cross Country resale	2,185	2,788	2,867	2,106
Golf	3,426	2,383	2,414	3,395
Baseball	3,740	996	4,110	626
Softball	3,471	9,679	8,072	5,078
Bowling	91	648	538	201
General Athletics	54,372	90,309	70,006	74,675
Ayrian	11,017	7,560	8,099	10,478
Band	885	1,854	889	1,850
Stand for the Silent	1,383	8,007	964	8,426
Cheerleaders	1,444	2,649	2,744	1,349
Class:				
Senior	1,999	2,301	4,300	-
Junior	4,290	9,638	7,125	6,803
Sophomore	1,051	5,807	3,500	3,358
Freshman	1,563	(609)	32	922
Concessions	7,888	35,491	28,412	14,967
Drama Club	2,403	11,241	11,898	1,746
Drill Team	2,917	7,776	5,809	4,884
Elementary Activities	10,128	18,053	18,221	9,960
Elementary Library	(237)	1,047	448	362
Elementary Student Council	2,385	-	-	2,385
Help Pod	2,307	205	1,949	563
Future Consumer Comm Leadership Assoc	1,502	89	93	1,498
Future Farmers of America	40,325	53,427	43,677	50,075
Elementary Music	-	1,485	428	1,057
Elementary Yearbook	124	523	-	647
Industrial Arts	2,729	5,974	5,304	3,399
Middle School	1,708	(839)	-	869
National Honor Society	174	299	9	464
Raider Café	1,159	3,287	3,479	967
Stamp Out Stigma	-	70	-	70
Science Club	758	-	-	758
SFL	15,501	11,188	19,278	7,411
Special Olympics	(16)	245	-	229
Transition Club	416	-	74	342
Student Council	1,561	744	701	1,604
Vocal music	552	2,754	2,105	1,201
High School Library	552	-	-	552
Weightlifting	213	-	-	213
Laptop Program	12,456	3,600	2,500	13,556
Middle School Student Council	746	301	165	882
Total	\$ 233,615	350,730	299,391	284,954

See accompanying independent auditor's report.

Mount Ayr Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Local sources:										
Local tax	\$ 4,420,910	4,174,438	3,977,218	3,847,353	3,770,774	3,606,166	3,828,696	4,057,916	4,153,059	3,773,074
Tuition	672,832	732,256	727,723	626,336	503,324	423,034	470,430	452,673	409,907	351,984
Other	656,184	701,496	1,696,358	1,471,415	1,141,122	1,479,774	649,761	606,705	533,259	646,502
Intermediate sources	-	-	-	-	10,834	17,949	26,939	29,318	98,520	22,688
State sources	4,695,854	4,610,489	4,552,831	4,651,704	4,477,070	4,318,079	4,048,539	3,542,800	3,372,499	3,254,842
Federal sources	372,998	407,455	286,091	277,217	281,785	339,063	312,385	583,471	601,384	1,128,122
Total	<u>\$ 10,818,778</u>	<u>\$ 10,626,134</u>	<u>11,240,221</u>	<u>10,874,025</u>	<u>10,184,909</u>	<u>10,184,065</u>	<u>9,336,750</u>	<u>9,272,883</u>	<u>9,168,628</u>	<u>9,177,212</u>
Expenditures:										
Instruction:										
Regular	\$ 3,128,426	3,107,481	2,975,848	2,935,021	2,678,394	2,611,318	2,595,503	2,512,760	2,476,134	2,554,927
Special	1,829,245	1,811,861	1,549,459	1,410,923	1,354,661	1,318,543	1,351,797	1,262,584	1,225,910	1,247,088
Other	1,017,529	1,028,067	1,359,918	1,353,901	1,407,839	1,395,783	1,119,585	1,298,162	1,102,162	1,145,246
Support services:										
Student	240,640	261,012	210,772	180,836	205,231	222,916	257,194	163,126	253,410	174,013
Instructional staff	197,493	200,840	241,186	382,572	437,665	178,053	179,366	398,471	429,304	282,402
Administration	859,308	772,212	707,728	800,260	741,969	785,903	788,329	733,337	727,778	706,870
Operation and maintenance of plant	904,614	759,210	881,986	849,163	744,730	680,132	663,026	623,458	654,235	681,633
Transportation	523,138	524,567	505,655	553,334	419,188	391,949	633,638	468,127	418,737	491,031
Other expenditures:										
Facilities acquisition	884,378	814,012	2,113,960	2,443,197	3,069,312	203,699	297,720	361,064	545,317	1,319,845
Long-term debt:										
Principal	1,046,000	912,000	840,000	825,000	695,000	685,000	680,000	530,000	409,071	412,161
Interest and other charges	139,029	157,111	165,591	233,008	192,618	189,542	202,218	414,727	367,544	384,614
AEA flowthrough	268,875	270,168	270,059	263,574	267,562	258,834	246,746	235,770	233,293	268,451
Total	<u>\$ 11,038,675</u>	<u>10,618,541</u>	<u>11,822,162</u>	<u>12,230,789</u>	<u>12,214,169</u>	<u>8,921,672</u>	<u>9,015,122</u>	<u>9,001,586</u>	<u>8,842,895</u>	<u>9,668,281</u>

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education of Mount Ayr Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Mount Ayr Community School District as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Ayr Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Ayr Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency described in Part I of the Schedule of Findings, item I-A-20 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Ayr Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mount Ayr Community School District's Responses to Findings

Mount Ayr Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Mount Ayr Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Ayr Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 11, 2020

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-20 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

1 Certified Budget - Expenditures for the year ended June 30, 2020 exceeded the certified budget amounts in the instructional, non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

3 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

4 Business Transactions - No business transactions were noted between the District and District officials or employees.

5 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

5 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

6 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

7 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation – The certified enrollment data should be corrected.

Response – The Iowa Department of Education and the Iowa Department of Management will be notified of the error.

**Mount Ayr Community School District
 Schedule of Findings
 Year Ended June 30, 2020**

Conclusion - Response accepted.

- 8 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 9 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- 10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 11 Sale of Property - During the year ended June 30, 2020, the District made sales of property in accordance with Chapter 297.22 of the Code of Iowa.
- 12 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- 13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	295,333
Revenues/transfers in:			
Sales tax revenues	\$	630,105	
Other local revenues		105,799	
Intermediate sources of revenues		-	735,904
			1,031,237
Expenditures/transfers out:			
Administration		1,207	
Operation and maintenance of plant		30,812	
Transportation		17,900	
School infrastructure construction		206,836	
Transfers to other funds:			
Debt service funds		672,525	929,280
			929,280
Ending balance		\$	101,957

For the year ended June 30, 2020, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- 14 Deficit Balances – The School Nutrition Fund had a deficit balance at June 30, 2020.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit at the end of the fiscal year.

Conclusion – Response accepted.